

Table 2

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED BRANCHES AND AGENCIES OF FOREIGN BANKS IN THE UNITED STATES
(Status of policy as of August 2000¹)

Questions 1-5 ask about **commercial and industrial (C&I) loans** at your bank. Questions 1-3 deal with changes in your bank's lending policies over the past three months, and questions 4-5 deal with changes in demand over the same period. If your bank's lending policies have not changed over the past three months, please report them as unchanged even if the policies are either restrictive or accommodative relative to longer-term norms. If your bank's policies have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing policies as changes in policies.

1. Over the past three months, how have your bank's credit standards for approving applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--changed?

	All Respondents	
	Banks	Pct
Tightened considerably	0	0.0
Tightened somewhat	6	27.3
Remained basically unchanged	15	68.2
Eased somewhat	1	4.5
Eased considerably	0	0.0
Total	22	100.0

2. For applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--that your bank currently is willing to approve, how have the terms of those loans changed over the past three months? (Please assign each term a number between 1 and 5 using the following scale: 1=tightened considerably, 2=tightened somewhat, 3=remained basically unchanged, 4=eased somewhat, 5=eased considerably.)

	All Respondents
	Mean
Maximum size of credit lines	2.86
Costs of credit lines	2.50
Spreads of loan rates over your bank's cost of funds (wider spreads=tightened, narrower spreads=eased)	2.68
Premiums charged on riskier loans	2.45
Loan covenants	2.82
Collateralization requirements	2.77
Other	2.95
Total	22

1. As of March 31, 2000, the 22 respondents had combined assets of \$280 billion, compared to \$806 billion for all foreign-related banking institutions in the United States. The sample is selected from among the largest foreign-related banking institutions in those Federal Reserve Districts where such institutions are common.

3. If your bank has tightened or eased its credit standards or its terms for C&I loans or credit lines over the past three months (as described in questions 1 and 2), how important have been the following possible reasons for the change? (Please respond to either A, B, or both as appropriate and rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

A. Possible reasons for tightening credit standards or loan terms

	All Respondents
	Mean
A deterioration in your bank's current or expected capital position	1.42
A less favorable or more uncertain economic outlook	2.42
A worsening of industry-specific problems	2.08
Less aggressive competition from other commercial banks	1.17
Less aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.17
A reduced tolerance for risk	1.58
Decreased liquidity in the secondary market for these loans	1.67
An increase in defaults by below-investment-grade borrowers in public debt markets.	1.83
Other	1.17
Number of banks responding	12

B. Possible reasons for easing credit standards or loan terms

	All Respondents
	Mean
An improvement in your bank's current or expected capital position	1.00
A more favorable or less uncertain economic outlook	1.00
An improvement in industry-specific problems	1.00
More aggressive competition from other commercial banks	2.25
More aggressive competition from nonbank lenders (other financial intermediaries or the capital markets)	1.75
An increased tolerance for risk	1.50
Increased liquidity in the secondary market for these loans	1.00
Other	1.25
Number of banks responding	4

4. Apart from normal seasonal variation, how has demand for C&I loans changed over the past three months? (Please consider only actual disbursements of funds as opposed to requests for new or increased lines of credit.)

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	4	18.2
About the same	12	54.5
Moderately weaker	5	22.7
Substantially weaker	1	4.5
Total	22	100.0

5. If demand for C&I loans has strengthened or weakened over the past three months (as described in question 4), how important have been the following possible reasons for the change? (Please respond to either A, B, or both as appropriate and rate each possible reason using the following scale: 1=not important, 2=somewhat important, 3=very important.)

A. If stronger loan demand (answer 1 or 2 to question 4), possible reasons

	All Respondents
	Mean
Customer inventory financing needs increased	1.00
Customer accounts receivable financing needs increased	1.00
Customer investment in plant or equipment increased	1.50
Customer internally generated funds decreased	1.00
Customer merger or acquisition financing increased	2.25
Customer borrowing shifted from other sources to your bank because these other sources became less attractive	1.00
Other	1.00
Number of banks responding	4

B. If weaker loan demand (answer 4 or 5 to question 4), possible reasons

	All Respondents
	Mean
Customer inventory financing needs decreased	1.33
Customer accounts receivable financing needs decreased	1.50
Customer investment in plant or equipment decreased	1.50
Customer internally generated funds increased	1.67
Customer merger or acquisition financing decreased	2.50
Customer borrowing shifted from your bank to other sources because these other sources became more attractive	1.50
Other	1.00
Number of banks responding	6

Recent data indicate an increase in the share of C&I loans that are secured by collateral. **Questions 6-7** ask about such loans at your bank.

6. About what percentage of the dollar volume of C&I loans currently held by your bank is collateralized? (Please note that business loans secured by real estate are classified as commercial real estate loans rather than C&I loans.)

	All Respondents	
	Banks	Pct
More than 75 percent	3	13.6
50 to 75 percent	1	4.5
25 to 50 percent	7	31.8
Less than 25 percent	11	50.0
Total	22	100.0

7. With respect to C&I loans at your bank that are secured by collateral, what is the approximate percentage distribution of the collateral provided across the following assets? (Percentages may not add to 100 due to rounding.)

	All Respondents
	Mean
U.S. government or agency securities	9.7
Other financial instruments (e.g., corporate bonds, letters of credit, CDs, etc.)	5.5
Equity of subsidiaries (for loans made to holding companies)	27.2
Inventories	17.4
Accounts receivable	19.2
Capital equipment	11.3
Other	9.7
Number of banks responding	18

Questions 8-9 ask about **commercial real estate loans** at your bank, including construction and land development loans and loans secured by nonfarm nonresidential real estate. Question 8 deals with changes in your bank's standards over the last three months, and question 9 deals with changes in demand over the same period. If your bank's lending standards or terms have not changed over the past three months, please report them as unchanged even if they are either restrictive or accommodative relative to longer-term norms. If your bank's standards or terms have tightened or eased over the past three months, please so report them regardless of how they stand relative to longer-term norms. Also, please report changes in enforcement of existing standards as changes in standards.

8. Over the past three months, how have your bank's credit standards for approving applications for commercial real estate loans changed?

	All Respondents	
	Banks	Pct
Tightened considerably	0	0.0
Tightened somewhat	2	16.7
Remained basically unchanged	9	75.0
Eased somewhat	1	8.3
Eased considerably	0	0.0
Total	12	100.0

9. Apart from normal seasonal variation, how has demand for commercial real estate loans changed over the past three months?

	All Respondents	
	Banks	Pct
Substantially stronger	0	0.0
Moderately stronger	1	8.3
About the same	6	50.0
Moderately weaker	5	41.7
Substantially weaker	0	0.0
Total	12	100.0

In recent years, syndicated lending has expanded rapidly. More recently, delinquency rates on such loans have picked up. Questions 10-12 ask about your bank's activities in the market for syndicated loans.

10. Approximately what percentage of outstanding C&I loans at your bank is accounted for by syndicated loans? (Please consider only funds actually disbursed as opposed to unused lines of credit. Also, please include both syndicated loans arranged by your bank, those arranged by other banks, and participations of syndicated loans that your bank has purchased.)

	All Respondents	
	Banks	Pct
More than 50 percent	17	77.3
35 to 50 percent	1	4.5
20 to 35 percent	0	0.0
5 to 20 percent	4	18.2
Less than 5 percent	0	0.0
Total	22	100.0

11. Of the syndicated loans on your bank's books, approximately what percentage is considered highly leveraged (made to below-investment-grade borrowers where the LIBOR spread is 250 basis points or more)?

	All Respondents	
	Banks	Pct
More than 50 percent	2	9.5
25 to 50 percent	3	14.3
15 to 25 percent	4	19.0
5 to 15 percent	9	42.9
Less than 5 percent	3	14.3
Total	21	100.0

12. At your bank, how does the delinquency rate on outstanding syndicated loans compare with the delinquency rate on other C&I loans?

	All Respondents	
	Banks	Pct
Much higher	1	4.5
Somewhat higher	3	13.6
About the same	14	63.6
Somewhat lower	1	4.5
Much lower	3	13.6
Total	22	100.0